


Freedom Specialty

The impact of evolving market and financial trends on the D&O Underwriting Process.

Teresa Black
VP Commercial D&O

Underwriting Tools & Considerations

- ▶ Rating Plans
 - ▶ Filing Probability and/or Severity Models
 - ▶ Macroeconomic Environment
 - ▶ Account Specific Factors
 - ▶ Underwriters Account Perspective
- 


Macroeconomic Influences

What factors are outside of managements control that could materially impact the performance of the business?


What factors are within their control and how are they managing the downside risks?



Macroeconomic Influences

- ▶ The European Sovereign Debt Crisis
 - Sales to Foreign Governments
 - Receivables Risk
 - Bond exposure/losses
 - ▶ Company Specific Volatility vs. Overall Market
 - ▶ How Aggressive or Conservatively is the company managing this risk
- 

What Impacts Pricing Decisions

- ▶ Actuarially derived pricing tools
 - ▶ Macroeconomic environment
 - ▶ Underwriter Judgment
 - ▶ Program Terms and Conditions
 - ▶ Primary versus Excess Layer Participation
- 

When things are overlooked...

- ▶ Relying on one set of tools or one perspective can lead to decision making that generates losses that exceed expectations
- ▶ Example:
 - Chinese reverse merger cases: given the size of many of these risks the exposure seemed low and pricing seemed adequate, at first.
 - Questions arose around the accounting and general business plans, eventually auditors began resigning from accounts, claims followed.



Wrap-Up

D&O underwriting must blend historical loss data and analysis with overall business judgment and knowledge of the competitive dynamics facing the insureds.

